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Global Markets Research

Daily Market Highlights

25 Oct: Mixed PMIs for the majors amid elections & budget jitters

Dollar weakened against most G10 peers alongside lower Treasury yields

Jump in new home sales for the US; jobless claims retreated to pre-hurricane levels

Easing prices pressures for Malaysia and Japan; BOJ Ueda signalled a pause next week

- US equities closed mixed in a week weighed down by higher rates. The S&P 500 added 0.2% d/d, snapping its 3-day losing streak, lifted by a 21.9% d/d surge in Tesla stocks after the EV giant posted earnings that out-beat forecasts. Nasdaq also jumped 0.8% d/d, but the Dow lost 0.3% d/d, weighed down by IBM and Boeing shares. IBM tumbled after reporting a revenue miss while Boeing's losses were due to its extended multi-week strike. European shares also traded higher amid positive earnings from the likes of Barclays and Renault, but Asian stocks wavered, trailing the US the day before. Asian equity futures signal that stocks will continue to edge down today.
- In the bond space, Treasuries posted a mild rebound after 3 days of losses, sending yields sliding in tune to 1-4bps across the curve. The outlier was the 2Y yield, which closed just above the flatline at 4.08%. The yield on the 10Y eased from its 3-month high to 4.21% (-3bps). With the exception of the UK gilts and Norwegian sovereign bonds, 10Y yields to European bonds slid another 0-5bps overnight (Prior: flat to -4bps).
- In the FX space, the Dollar fell alongside the Treasury yields. DXY declined 0.4% d/d to 104.06, and the Dollar weakened against all its G10 peers save for the CAD. Leading gains against USD was JPY at +0.6% d/d. This comes after its finance minister warned against "one-sided, rapid moves" in FX, while BOJ's Kazuo Ueda commented that the central bank has time to consider its next move, potentially signalling a pause next week. EUR and GBP strengthened +0.4% d/d each, the latter after its Chancellor hinted of more borrowing in the Autumn Budget. Regional currencies also appreciated against the Dollar except for the TWD, HKD and THB. Leading gain was SGD at +0.4% d/d, while CNH and MYR appreciated 0.2% d/d and 0.1% d/d respectively to 7.1244 and 4.3482.
- In the commodities market, crude oil prices fell 0.8% d/d as attention shifted to oversupply risks, and in the absence of new geopolitical noise in the Middle East.

Mixed S&P PMIs for the majors, with businesses jittery over elections and budgets

- October's flash US PMI (Composite: 54.3 vs 54.0) signalled a robust and better than expected start in 4Q for the US economy. Growth was, nonetheless, driven mainly by the services sector (55.3 vs 55.2), while manufacturing (47.8 vs 47.3) contracted for the third month. Employment fell slightly for the third month amid uncertainty ahead of the election, but optimism in the coming year rebounded sharply and hit a 29-month high, suggesting a possible turnaround.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,374.36	-0.33
S&P 500	5,809.86	0.21
NASDAQ	18,415.49	0.76
Stoxx Eur 600	518.98	0.03
FTSE 100	8,269.38	0.13
Nikkei 225	38,143.29	0.10
CSI 300	3,928.83	-1.12
Hang Seng	20,489.62	-1.30
Straits Times	3,604.95	0.12
KLCI 30	1,632.23	-0.57
FX		
Dollar Index	104.06	-0.36
EUR/USD	1.0828	0.43
GBP/USD	1.2975	0.42
USD/JPY	151.83	-0.61
AUD/USD	0.6640	0.09
USD/CNH	7.1244	-0.16
USD/MYR	4.3482	-0.07
USD/SGD	1.3181	-0.37
Commodities		
WTI ($/bbl)	70.19	-0.82
Brent ($/bbl)	74.38	-0.77
Gold ($/oz)	2,734.90	0.76
Copper ($$/MT)	9,507.00	-0.15
Aluminum($/MT)	2,650.00	-0.73
CPO (RM/tonne)	4,573.50	3.18

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 23 Oct for CPO*

- The Eurozone's economy contracted marginally for the second month running, with the ongoing slump in manufacturing (45.9 vs 45.0) balanced out by small gains in the services sector (51.2 vs 51.4). The deterioration in France was also met by a slightly smaller contraction in Germany. For now, it remains unclear if ECB recent easing policies are adequate to kickstart a recovery in the near future.
- Business activity growth (Composite: 51.7 vs 52.6) for the UK slumped to its lowest in nearly a year and by more than expected as uncertainty ahead of the Budget dampened business confidence and spending. The slowdown was broad-based for both manufacturing (50.3 vs 51.5) and services (51.8 vs 52.4), and worryingly, prompted companies to reduce headcounts for the first time this year.
- Japan's private sector turned contractionary in October, with the composite PMI sliding below the 50-threshold for the first time since June at 49.4 (prior: 52.0). Although marginal, this is the lowest since November 2022 as both the manufacturing (49.0 vs 49.7) and services (49.3 vs 53.1) sectors contracted, the latter marking its first in 4 months. Accordingly, firms attributed the decline to a muted economy and subdued new order inflows, both domestic and on the external front.

Positive indicators from the US; new home sales jumped; jobless claims retreat to pre-hurricane levels

- New home sales jumped more than expected to its highest in over a year in September (+4.1% m/m to 738k vs -2.3% m/m to 709k), as buyers reacted favourably to incentives from builders as well as a drop in mortgage rates. In tandem with this, the median sales price remained high, gaining 1.2% y/y and 3.7% m/m to $426.3k. But with inventory elevated (7.6 months of supply vs 7.9 months) and mortgage rates having since rebounded, these could cap gains for prices going forward.
- In a testament to labour market resiliency and partially reflecting distortions due to the hurricanes, jobless claims fell to its lowest in nearly a month for the week ended October 19 (-15k to 227k vs -18k to 242k). Continuing claims nonetheless hit 1.9m the week prior (+28k), its highest in nearly a year suggesting that people are having a harder time to find a job. Going forward, the multi-week strike at Boeing could see claims ticking up.

Contraction in the CBI orders narrowed in the UK; consumer confidence worsened slightly

- CBI Trends Total Orders index continued to decline, albeit less rapidly than expected at -27 in October (Sep: -35), as demand continued to remain soft in the UK and abroad. Despite this, the downturn is expected to bottom out in 4Q with manufacturers looking to the Chancellor for more business-friendly measures (as well as possible tax increases).
- On the consumer front, GfK Consumer Confidence unexpectedly worsened to -21 in October from -20 previously. This is the lowest since March, primarily driven by lagging rather than forward-looking indicators, thus unlikely to have any repercussion on spending going forward.

Easing Japan's PPI services and Tokyo's inflation rate reaffirm BOJ status quo bets

- Data this morning showed that Japan's producer price for services unexpectedly eased to 2.6% y/y in September (Prior: 2.8% y/y), while Tokyo's inflation rate matched expectations and moderated to 1.8% y/y in October (prior: +2.1% y/y). Core CPI (excluding fresh food) nonetheless eased less than expected to 1.8% from 2.0% y/y previously and marks the first time in 5 months that headline prices have retreated below 2%, primarily driven by lower energy prices and as such, will give leeway for the BOJ to maintain status quo next week.

Deceleration in both headline and core CPI to 1.8% y/y for Malaysia

- Consumer prices moderated for a 2nd straight month to 1.8% y/y in September, coming in slightly below expectations for a steady 1.9% y/y print. We saw broad softening in price gains during the month, with only one category (recreation services & culture) out of thirteen categories posted a slightly quicker gain (+2.1% vs +2.0% y/y).
- This CPI report does not in any way change our view of a benign inflation environment and outlook. Three months into the implementation of the subsidy reform for diesel in Peninsular Malaysia, there remains little signs of any cost-pass through down into the economic system. We expect CPI to remain well-contained in the months ahead, until and unless there are significant changes in domestic policy measures, most notably RON95 fuel subsidy. Although at the tabling of 2025 Budget last Friday, the Prime Minister indicated plans to roll out subsidy retargeting for RON95 by withdrawing subsidies to the T15 group in mid-2025, there are still a number of implementation issues including its mechanism that need to be ironed out. We therefore expect next year's CPI to pick up to a range of 2.0-3.0%, from 2024's 1.9%, depending on the timing and pace of the subsidy reform on RON95.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	102-105	101.56	100.54	99.53	99.04
EUR/USD	1.07-1.10	1.11	1.12	1.13	1.14
GBP/USD	1.28-1.32	1.33	1.35	1.36	1.37
USD/JPY	147-152	146	142	138	135
AUD/USD	0.65-0.69	0.68	0.69	0.70	0.71
USD/MYR	4.26-4.35	4.25	4.20	4.15	4.10
USD/SGD	1.30-1.33	1.31	1.29	1.27	1.25

Rates, %	Current	4Q-24	1Q-25	2Q-25	3Q-25
Fed	4.75-5.00	4.25-4.50	3.75.-4.00	3.50-3.75	3.25-3.50
ECB	3.25	3.00	2.75	2.50	2.25
BOE	5.00	4.75	4.50	4.25	4.00
BOJ	0.25	0.25	0.40	0.40	0.55
RBA	4.35	4.35	4.10	3.85	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
25-Oct	SI Industrial Production SA MoM (Sep)	6.70%
	EC ECB 1 Year CPI Expectations (Sep)	2.70%
	EC ECB 3 Year CPI Expectations (Sep)	2.30%
	US Durables Ex Transportation (Sep P)	0.50%
	US Cap Goods Orders Nondef Ex Air (Sep P)	0.30%
	US U. of Mich. Sentiment (Oct F)	68.9
	US Kansas City Fed Services Activity (Oct)	-2
28-Oct	UK Lloyds Business Barometer (Oct)	47
	HK Exports YoY (Sep)	6.40%
	UK CBI Retailing Reported Sales (Oct)	4
	US Dallas Fed Manf. Activity (Oct)	-9

Source: Bloomberg

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